could lower inflationary expectations and foster a reduction of interest rates.

In addition to lower interest rates, a new start has to be made to reverse the protectionist tide. In recent years, the United States, Europe, and Latin America have taken innumerable protectionist decisions, large and small, that frustrate change and poison political relations.

It is time for a new initiative — perhaps a Reagan Round — to free up world trade in goods and services. For the first time, the LDCs must be involved in a major way. Such initiative is unlikely to come from those that lack a strong vision of their future. But the United States, enjoying vigorous economic expansion at home, can well afford a positive approach.

The most pressing issues to be resolved, with both Europe and Japan, concern agricultural protection and barriers to trade in services. In these fields, as also is increasingly the case in the manufactures area, the obstacles to trade are not so much the tariffs that have dominated previous trade liberalization endeavors, but the prevalence of subsidies and quantitative restrictions. As for developing countries, the objective must be adequate access to industrial-country markets in order that export-oriented development strategies can work. This will require industrial countries to recognize the LDCs' growing comparative advantage in light manufactures and some basic industrial products. The industrial countries will need to accept a growing specialization in high technology, communication, and service activities — areas in which trade negotiators have made little progress so far. For their part, the LDCs not only would be expected to open their markets to industrial products but also to foreign technology. The latter calls for an explicit code of conduct governing private direct investment.

The overriding aim of the trade initiative should be to focus official efforts on trade creation that corresponds to the evolving pattern of national competitive advantages. Through this course the world's economic pie will grow larger and political tensions over its division should be muted.

Finally, it is time for the United States to reassert leadership in the field of development economics and finance. The industrial countries can no longer neglect the need for adequate long-term capital flows to developing countries, which commercial banks are ill-equipped to provide. This will entail continued support for official institutions such as the IMF and World Bank, and also reforms to enhance their overall effectiveness. The IMF in the past two years has assumed a much more active role, not only in providing financial support and policy advice to developing countries, but also in forging a close working relation with commercial banks to underwrite adjustment programs.

However, the World Bank — by charter, the premier development finance institution — has been underutilized. It should be working more actively with commercial banks in cofinancing and in what may be dubbed "reverse" cofinancing — in other words, participation in the restructuring of project loans initially financed by private credits. The World Bank, with its technical expertise and long experience in development finance, needs to match more closely the Fund's new enterprise in marshaling finance from the whole range of potential lenders — official and private — with less dogged insistence on traditional, but outdated funding standards. The Bank must realize that its long-term mission cannot shield it from the shorter-range imperative to assist

developing countries achieve their growth potential and resolve their debt problems.

In sum, in this interdependent world there is no sure prosperity for any nation while others falter or fall back. Right now the United States has reasonably bright prospects for continued noninflationary growth. Abroad, however, the outlook is much less promising. Having made an impressive start in setting its own house in order, the United States is now well placed to assert its natural leadership position in the international economy. By its example and through the international institutions where its voice is heard, the United States should argue the benefits for the free world of reining back overextended government. In industrial and developing countries alike, the private sector needs room for initiative and dynamism. That dynamism and initiative can hardly flower while protectionism closes off markets and high interest rates hinder investment. The time is overdue for renewed U.S. commitment and initiative, both for global trade liberalization and worldwide lowering of interest rates.

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for key to data in tables
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Information herein is from sources considered to be reliable but is furnished without responsibility on the part of Morgan Guaranty Trust Company.

Nominal effective exchange rates

Index numbers, 1980-82 average = 100. Each index shows a currency's trade-weighted appreciation or depreciation measured against 15 other major currencies, using averages of daily noon spot exchange rates in New York and bilateral trade weights based on 1980 trade in manufactures. Annual figures are calendar year averages.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Neth-erlands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
Pre-June 1970 parities	114.6	114.4	69.0	116.4	111.1	66.2	226.2	147.5	80.6	91.1	82.1	143.2	51.3	113.0	92.3	119.6
Smithsonian central rates	103.1	121.9	77.2	116.7	109.8	68.9	220.9	146.7	80.6	92.3	82.9	142.7	53.2	110.8	90.9	117.6
1980	90.7	100.4	95.5	96.0	106.5	100.0	108.4	99.8	99.4	105.9	100.2	106.5	95.4	105.1	98.2	103.9
1981	99.5	100.2	105.8	104.0	100.4	97.2	98.8	102.1	98.9	101.8	97.1	99.4	98.3	99.2	100.1	103.3
1982	109.8	99.4	98.6	100.1	93.1	102.8	92.8	98.1	101.7	92.3	102.7	94.1	106.3	95.7	101.7	92.8
1983	114.2	100.8	107.8	92.0	87.3	107.6	90.3	91.6	103.6	90.0	105.0	78.4	111.5	96.4	99.4	82.2
1983																
January	109.7	100.2	106.7	97.3	91.8	106.9	92.8	89.4	103.6	91.1	106.3	82.6	111.3	98.9	97.4	81.0
February	111.0	100.5	105.9	96.8	91.9	107.0	92.6	88.2	103.6	91.0	106.2	81.9	110.3	98.6	98.0	81.1
March	112.0	100.9	105.8	89.3	90.8	108.9	91.3	86.4	104.8	92.2	106.5	80.5	108.4	98.7	97.8	81.2
April	112.5	100.4	106.4	87.5	87.7	109.1	91.3	90.2	104.4	91.5	105.1	80.1	109.9	98.7	98.7	81.5
May	112.2	100.6	107.9	88.2	86.8	108.5	90.8	92.9	104.0	90.8	104.8	79.5	110.6	97.5	99.3	81.7
June	114.3	100.8	106.6	89.4	86.4	107.6	90.7	93.6	103.4	90.2	104.6	78.3	110.6	96.2	99.5	82.2
July	115.1	101.0	106.9	89.8	86.2	107.2	90.6	93.4	103.5	89.7	104.5	76.8	111.7	95.4	99.9	82.6
August	117.0	101.2	106.2	91.5	85.6	106.5	89.6	94.0	103.1	89.2	104.1	77.0	112.3	94.5	100.3	82.8
September	116.7	101.3	107.1	92.2	85.6	106.9	88.9	93.8	103.3	88.8	104.2	76.7	112.4	94.9	100.9	82.6
October	114.8	101.0	110.7	93.5	85.4	108.0	88.6	92.2	103.8	88.7	105.0	76.0	113.2	95.2	100.8	82.3
November	116.5	100.9	110.7	94.8	85.1	107.1	88.3	92.8	103.2	88.4	104.4	75.9	112.8	94.6	100.9	82.7
December	118.0	100.4	112.1	94.2	84.7	106.8	88.0	91.8	102.8	88.2	104.1	75.8	113.6	94.0	99.5	83.1
December 23	118.5	100.6	112.4	93.3	84.5	106.8	87.9	91.6	102.8	88.0	104.0	76.0	114.0	94.0	99.1	83.2
30	117.6	100.5	112.9	93.4	84.5	107.0	87.8	92.0	102.8	88.0	104.1	75.9	114.2	94.1	99.1	83.2
1984																
January 6	118.5	100.4	113.5	94.5	84.3	106.6	87.9	91.5	102.7	87.8	104.0	76.0	113.5	93.9	99.1	83.2
13	119.4	100.4	113.4	95.7	84.0	106.3	87.7	91.4	102.5	87.8	103.7	75.9	114.1	93.5	99.0	83.3
20	118.9	100.6	113.3	94.9	84.1	106.5	87.6	91.7	102.8	87.6	103.6	76.5	114.0	93.6	99.5	83.2
27	119.2	100.7	113.2	95.9	84.1	106.4	87.5	91.4	102.5	87.7	103.5	76.8	113.9	93.3	99.3	83.6

Real effective exchange rates

Index numbers, 1980-82 average = 100. Each index is the corresponding nominal effective exchange rate adjusted for differential inflation in wholesale prices of nonfood manufactures. Underlying price data are partly estimated. Index revisions reflect revised price information or, less frequently, adoption of new price indices to measure inflation in one or more countries.

	United States	Canada	Japan	Australia	France	Germany	Italy	United Kingdom	Austria	Belgium	Neth-erlands	Spain	Swit-zerland	Den-mark	Norway	Swe-den
1980	89.5	99.6	103.1	93.1	102.2	103.5	103.5	99.2	100.2	107.5	100.0	102.0	98.7	103.7	96.4	101.3
1981	100.7	100.0	104.7	102.8	100.2	97.4	98.7	101.9	99.1	100.3	97.7	99.1	98.8	99.3	101.2	102.1
1982	109.8	100.4	92.3	104.1	97.7	99.1	97.8	98.9	100.7	92.1	102.4	99.0	102.5	96.9	102.4	96.5
1983	112.6	102.9	96.4	99.8	96.3	99.5	96.6	94.7	101.8	91.7	102.1	89.6	105.4	98.7	101.0	91.2
1983																
January	109.4	100.7	97.6	103.7	96.9	100.5	100.9	91.9	102.3	91.3	104.4	91.3	106.2	100.8	98.7	88.9
February	110.2	101.4	96.8	103.7	98.4	99.8	99.9	90.8	102.5	92.8	103.6	91.5	104.9	100.9	100.0	88.6
March	110.6	102.7	96.5	96.3	97.6	101.1	99.7	89.2	103.8	94.0	103.5	90.3	103.0	101.0	99.3	88.7
April	110.4	103.0	96.1	94.6	96.1	100.9	100.1	93.2	102.5	93.0	101.7	90.4	103.9	100.9	100.3	89.3
May	110.3	103.3	96.9	95.4	94.6	100.1	100.2	96.2	101.6	92.7	101.3	90.3	104.1	100.0	101.4	90.0
June	112.6	103.2	95.3	96.6	94.3	99.3	100.0	96.9	101.0	92.3	101.0	89.4	104.0	98.4	100.8	91.2
July	113.2	103.7	95.3	97.2	95.0	98.3	100.1	96.4	101.3	91.8	101.3	87.7	104.7	97.2	101.2	92.1
August	115.5	103.8	93.7	99.5	95.1	98.6	99.5	97.4	101.0	91.5	101.1	88.4	106.2	95.9	101.1	93.0
September	114.1	104.4	94.8	100.9	95.9	98.8	93.5	97.7	101.1	90.8	101.2	88.7	106.1	97.6	102.5	92.7
October	113.5	103.1	97.3	102.3	96.6	99.6	92.2	95.4	102.1	90.3	102.1	88.4	106.8	98.0	102.7	92.5
November	114.7	103.2	97.4	104.1	97.2	98.9	90.4	95.8	101.6	90.0	101.8	88.9	106.6	97.2	102.5	93.4
December	116.1	102.6	98.4	103.8	97.5	98.6	88.8	94.8	101.4	89.6	101.7	89.3	107.7	96.9	101.3	94.2

Eurocurrency deposit rates

prime banks' bid rates, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Eurodollar											
one month	19.12	13.31	9.13	9.69	9.50	9.81	9.88	9.38	9.44	9.69	9.69
three months	17.55	13.75	9.19	9.81	9.69	10.19	10.25	9.50	9.63	9.75	9.81
six months	16.37	14.81	9.50	10.06	9.94	10.63	10.63	9.69	9.69	9.94	10.06
twelve months	14.87	14.75	9.63	10.38	10.06	10.75	10.94	10.00	9.94	10.31	10.38
Euro-Canadian dollar											
one month	17.50	15.37	10.00	9.13	8.88	9.00	8.88	9.06	8.94	9.25	9.13
three months	16.88	15.37	10.00	9.50	9.19	9.38	9.38	9.13	9.19	9.38	9.50
six months	15.37	16.37	10.13	9.75	9.69	9.88	9.88	9.38	9.38	9.56	9.75
twelve months	14.00	16.37	10.25	10.00	9.94	10.13	10.44	9.75	9.69	9.75	10.00
Euro-French franc											
one month	11.12	15.75	23.00	12.13	12.38	12.13	13.00	12.75	12.25	12.25	12.13
three months	11.75	17.00	24.00	12.19	14.94	13.50	15.00	14.31	12.88	13.19	12.19
six months	12.25	18.00	22.00	12.31	16.69	15.25	16.75	15.81	14.00	14.13	12.31
twelve months	12.87	18.25	19.75	12.63	18.00	16.75	16.88	16.19	14.88	14.69	12.63
Euromark											
one month	8.87	10.44	5.88	5.25	4.94	4.81	5.25	5.56	5.56	6.19	5.25
three months	8.87	10.50	5.88	5.88	5.19	5.06	5.50	5.75	5.81	6.19	5.88
six months	8.87	10.56	5.94	6.13	5.50	5.50	5.94	5.88	5.81	6.19	6.13
twelve months	8.93	10.25	6.00	6.38	5.94	5.94	6.44	6.19	6.13	6.44	6.38
Euro-Dutch guilder											
one month	8.87	10.75	5.13	5.81	4.94	5.44	6.00	5.94	5.75	6.00	5.81
three months	9.31	10.75	5.19	6.00	5.38	5.63	6.25	6.19	6.06	6.19	6.00
six months	9.37	10.75	5.38	6.25	5.88	6.00	6.44	6.25	6.19	6.31	6.25
twelve months	9.62	10.75	5.63	6.38	6.13	6.31	6.75	6.56	6.50	6.63	6.38
Euro-Swiss franc											
one month	6.00	8.87	2.81	3.38	4.56	4.69	4.19	3.69	3.50	4.06	3.38
three months	6.00	9.25	3.25	3.75	4.63	4.75	4.44	4.13	4.13	4.06	3.75
six months	5.75	9.25	3.44	3.94	4.75	4.88	4.81	4.31	4.19	4.19	3.94
twelve months	5.50	8.50	3.44	3.94	4.69	4.81	4.94	4.38	4.31	4.38	3.94
Eurosterling											
one month	14.75	15.37	10.56	9.13	9.63	9.56	9.56	9.63	9.19	9.06	9.13
three months	14.75	15.69	10.44	9.31	9.63	9.81	9.75	9.56	9.25	9.25	9.31
six months	14.25	15.69	10.31	9.50	9.88	10.25	10.13	9.56	9.38	9.44	9.50
twelve months	14.00	15.37	10.31	9.81	10.06	10.50	10.50	9.81	9.69	9.69	9.81
Euroyen											
one month	9.12	6.12	6.75	6.25	6.44	6.44	6.69	6.69	6.13	7.25	6.25
three months	9.25	6.12	6.75	6.31	6.50	6.50	6.63	6.69	6.31	6.75	6.31
six months	9.62	6.87	7.10	6.38	6.50	6.56	6.63	6.69	6.31	6.69	6.38
twelve months	9.37	6.87	6.81	6.44	6.50	6.56	6.75	6.69	6.44	6.69	6.44

International bond issues — by currency

new issues with a maturity of three years or more, publicly offered or privately placed in the period
millions of dollars

	1981	1982	1983	1983				1984
				Sep	Oct	Nov	Dec	Jan
Eurobonds	**31 616**	**51 645**	**48 447**	**4 445**	**5 493**	**5 919**	**1 277**	**2 522**
U.S. dollar	26 830	43 959	38 406	3 685	4 385	4 470	760	2 125
Canadian dollar	634	1 201	1 039	61	41	209	56	64
German mark	1 277	2 588	3 817	180	116	335	200	81
British pound	501	748	1 915	261	165	518	108	140
Japanese yen	368	374	212	—	64	—	—	—
European composite unit	309	1 980	2 019	171	611	223	62	80
Other	1 697	795	1 039	87	111	164	91	32
Foreign bonds	**21 369**	**26 397**	**27 351**	**1 913**	**2 359**	**2 296**	**1 786**	**913**
U.S. dollar	7 552	5 946	4 400	370	—	65	700	—
German mark	1 310	2 952	2 671	75	173	458	36	107
Dutch guilder	481	956	1 053	33	189	83	—	—
British pound	746	1 214	520	—	187	44	22	56
Swiss franc	8 285	11 432	14 264	1 260	1 108	1 231	727	651
Japanese yen	2 457	3 418	3 772	165	365	404	297	86
Other	538	479	671	10	337	11	4	13
Total	**52 985**	**78 042**	**75 798**	**6 358**	**7 852**	**8 215**	**3 063**	**3 435**

International bond issues — by country of borrower

new issues with a maturity of three years or more, publicly offered or privately placed in the period
millions of dollars

	1981	1982	1983	1983				1984
				Sep	Oct	Nov	Dec	Jan
Industrial countries	**40 861**	**63 062**	**59 840**	**5 088**	**6 378**	**6 572**	**2 429**	**2 802**
Australia	991	2 250	2 359	100	849	132	45	106
Austria	1 557	1 668	1 265	—	25	87	100	117
Belgium	527	211	1 153	92	50	400	100	—
Canada	10 648	11 979	7 411	975	788	443	792	350
Denmark	695	1 269	1 719	537	—	248	72	36
Finland	672	815	866	33	79	50	4	100
France	3 156	8 456	6 405	815	316	252	250	—
Germany	279	1 101	3 095	14	462	282	79	40
Ireland	517	625	959	56	176	437	—	—
Italy	1 108	2 214	1 565	170	578	300	36	—
Japan	6 928	8 397	13 990	818	939	1 842	400	1 006
Netherlands	630	894	946	53	75	66	65	50
New Zealand	1 107	1 375	455	—	—	—	—	—
Norway	530	832	667	27	175	—	26	50
Portugal	30	206	76	—	—	30	—	—
South Africa	92	374	548	28	—	18	105	—
Spain	444	747	1 449	200	—	469	43	22
Sweden	2 050	2 479	3 755	46	1 080	116	85	13
United Kingdom	1 408	1 201	1 398	208	175	187	50	200
United States	6 770	14 538	7 462	829	600	942	90	676
Yugoslavia	—	—	—	—	—	—	—	—
*Other**	722	1 431	2 297	87	11	271	87	36
Developing countries	**4 886**	**5 003**	**2 473**	**320**	**113**	**314**	**21**	**40**
Latin American countries	**3 658**	**2 480**	**71**	—	—	—	—	—
Argentina	195	—	—	—	—	—	—	—
Brazil	60	91	—	—	—	—	—	—
Chile	30	—	—	—	—	—	—	—
Colombia	20	35	—	—	—	—	—	—
Ecuador	—	—	—	—	—	—	—	—
Mexico	3 012	1 919	—	—	—	—	—	—
Panama	25	—	21	—	—	—	—	—
Peru	25	—	—	—	—	—	—	—
Venezuela	291	385	—	—	—	—	—	—
*Other***	—	50	50	—	—	—	—	—
Asian countries	**1 068**	**2 075**	**2 190**	**320**	**113**	**254**	**21**	**—**
Hong Kong	70	40	50	—	—	50	—	—
India	271	225	60	—	—	20	—	—
Indonesia	97	412	328	250	—	—	—	—
Korea	323	172	556	70	—	70	21	—
Malaysia	—	807	831	—	43	64	—	—
Philippines	99	50	—	—	—	—	—	—
Singapore	30	125	70	—	70	—	—	—
Thailand	93	63	255	—	—	50	—	—
Other	85	181	40	—	—	—	—	—
Middle Eastern and African countries	**160**	**448**	**212**	—	—	**60**	—	**40**
Algeria	—	—	—	—	—	—	—	—
Egypt	—	75	—	—	—	—	—	40
Israel	117	200	135	—	—	—	—	—
Ivory Coast	—	—	—	—	—	—	—	—
Morocco	—	—	—	—	—	—	—	—
United Arab Emirates	—	20	—	—	—	—	—	—
Other	43	153	77	—	—	60	—	—
Centrally planned countries	**75**	**65**	**75**	—	—	—	—	—
China	—	65	50	—	—	—	—	—
Hungary	20	—	—	—	—	—	—	—
Poland	—	—	—	—	—	—	—	—
*Other****	55	—	25	—	—	—	—	—
International organizations***	**7 163**	**9 912**	**13 410**	**950**	**1 361**	**1 329**	**613**	**593**
Total	**52 985**	**78 042**	**75 798**	**6 358**	**7 852**	**8 215**	**3 063**	**3 435**

*Includes multinational organizations.
**Includes unallocated.
***Includes COMECON institutions.
****Includes regional development organizations.

Eurocurrency bank credits – by country of borrower

credits with a maturity of one year or more, publicly announced in period
millions of dollars

	1981	1982	1983	1983				1984
				Sep	Oct	Nov	Dec	Jan
Industrial countries	**86 022**	**42 471**	**38 553**	**2 834**	**6 945**	**3 650**	**2 941**	**8 528**
Australia	1 680	4 721	3 131	297	—	30	755	90
Belgium	360	1 172	883	—	—	800	—	—
Canada	4 112	3 838	967	190	127	450	—	290
Denmark	1 661	789	1 586	—	—	—	—	—
Finland	463	631	283	—	—	—	55	—
France	3 912	5 703	1 708	75	222	148	—	—
Greece	1 039	770	1 085	—	—	249	—	—
Ireland	1 361	401	765	—	—	—	144	—
Italy	6 030	3 657	2 926	486	311	216	48	—
New Zealand	476	3 411	70	—	35	—	—	—
Norway	713	1 769	1 210	13	—	21	600	—
Portugal	1 590	1 388	879	—	500	—	79	—
South Africa	287	1 479	752	—	50	—	—	—
Spain	3 242	1 849	2 988	98	222	160	329	129
Sweden	1 867	649	3 188	87	—	—	—	—
United Kingdom	747	1 635	1 328	—	315	—	59	—
United States	54 784	6 516	12 912	1 450	4 983	1 410	872	8 019
Yugoslavia	684	719	615	—	—	—	—	—
*Other**	1 014	1 374	1 277	138	180	166	—	—
Developing countries	**45 264**	**41 519**	**32 846**	**2 134**	**587**	**2 300**	**156**	**365**
Latin American countries	**30 152**	**26 719**	**15 289**	**372**	**249**	**59**	**18**	**30**
Argentina	2 534	1 565	1 750	—	—	—	—	—
Brazil	5 751	5 716	4 475	—	—	—	—	—
Chile	2 204	1 194	1 319	—	—	—	—	—
Colombia	1 030	741	459	139	100	—	—	—
Ecuador	934	815	431	—	—	—	—	—
Mexico	7 530	7 953	5 138	—	—	38	—	—
Panama	255	378	413	93	—	—	—	30
Peru	1 407	1 069	500	5	29	—	—	—
Venezuela	7 559	6 799	237	—	—	—	—	—
*Other***	948	489	567	135	120	21	18	—
Asian countries	**10 288**	**8 403**	**8 819**	**1 233**	**96**	**639**	**100**	**335**
Hong Kong	664	33	—	—	—	—	—	—
India	377	284	809	108	—	91	—	50
Indonesia	725	1 250	1 467	—	—	11	15	—
Korea	2 824	2 923	3 245	995	96	372	20	85
Malaysia	1 725	1 909	950	60	—	—	30	—
Pakistan	350	455	365	—	—	25	—	—
Philippines	1 257	635	815	—	—	100	—	—
Thailand	692	268	349	50	—	15	35	—
Other	1 674	646	819	20	—	25	—	200
Middle Eastern and African countries	**4 824**	**6 397**	**8 738**	**529**	**242**	**1 602**	**38**	—
Algeria	—	26	1 964	21	—	1 217	—	—
Egypt	63	353	300	—	—	15	—	—
Israel	—	4	—	—	—	—	—	—
Ivory Coast	499	434	30	—	—	—	—	—
Morocco	774	326	294	—	—	—	—	—
Nigeria	1 802	2 042	1 775	22	—	17	—	—
Turkey	100	277	1 078	372	205	—	—	—
United Arab Emirates	363	93	876	61	—	100	—	—
Other	1 223	2 842	2 421	53	37	253	38	—
Centrally planned countries	**1 791**	**765**	**1 212**	—	**75**	—	**200**	—
China	370	43	10	—	—	—	—	—
East Germany	470	8	392	—	—	—	—	—
Hungary	550	340	683	—	75	—	200	—
Poland	—	—	—	—	—	—	—	—
Soviet Union	25	374	68	—	—	—	—	—
*Other****	376	—	59	—	—	—	—	—
International organizations****	**302**	**150**	**1 321**	—	—	—	—	—
Total	**133 379**	**84 905**	**73 932**	**4 968**	**7 607**	**5 950**	**3 297**	**8 893**

*Includes multinational organizations.
**Includes unallocated.
***Includes COMECON institutions.
****Includes regional development organizations.

Central bank discount rates

at or near end of month

	1980	1981	1982	1983				Current	
	Dec	Dec	Dec	Mar	Jun	Sep	Dec	Jan 27 1984	effective since
United States	13.00	12.00	8.50	8.50	8.50	8.50	8.50	8.50	Dec 15, 82
Canada	17.36	14.66	10.05	9.42	9.42	9.49	9.96	9.88	Jan 26, 84
Austria	6.75	6.75	4.75	3.75	3.75	3.75	3.75	3.75	Mar 18, 83
Belgium	12.00	15.00	11.50	11.00	9.00	9.00	10.00	10.00	Nov 24, 83
Denmark	11.00	11.00	10.00	8.50	7.50	7.50	7.00	7.00	Oct 27, 83
Finland	9.25	9.25	8.50	8.50	8.50	9.50	9.50	9.50	Jul 1, 83
France	9.50	9.50	9.50	9.50	9.50	9.50	9.50	9.50	Aug 31, 77
Germany	7.50	7.50	5.00	4.00	4.00	4.00	4.00	4.00	Mar 18, 73
Ireland	12.75	17.15	14.35	14.35	13.80	12.20	11.50	11.50	Nov 11, 83
Italy	16.50	19 00	18.00	18.00	17.00	17.00	17.00	17.00	Apr 9, 83
Netherlands	8.00	9.00	5.00	3.50	4.50	5.00	5.00	5.00	Sep 9, 83
Norway	9.00	9.00	9.00	9.00	8.00	8.00	8.00	8.00	Jun 6, 83
Portugal	18.00	18.00	19.00	23.00	23.00	25.00	25.00	25.00	Aug, 83
Spain	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	Jul 26, 77
Sweden	12.00	11 00	10.00	9.00	8.50	8.50	8.50	8.50	Apr 8, 83
Switzerland	3.00	6.00	4.50	4.00	4.00	4.00	4.00	4.00	Mar 18, 83
United Kingdom	14.00	14.37	10.00	10.50	9.56	9.50	9.00	9.00	Oct 4, 83
Japan	7.25	5.50	5.50	5.50	5.50	5.50	5.00	5.00	Oct 22, 83
New Zealand	14.00	13 00	13.00	13.00	13.00	13.00	13.00	13.00	Jul, 81
South Africa	7.00	13.50	13.50	13.50	13.50	13.50	13.50	13.50	Dec 12, 81
Argentina	87.01	98.50	128.54	145.29	161.87	183.75	183.75	183.75	Sep 5, 83
Korea	15.01	10.50	5.00	5.00	5.00	5.00	5.00	5.00	Mar 29, 82
Philippines	4.00	4.00	4 00	4.00	4.00	4 00	4.00	4.00	May 19, 78
Singapore	10.50	9 50	7 00	7.00	7.00	7.00	7.00	7.00	Feb 19, 82
Thailand	13 50	14.50	12.50	11.50	11.50	11.50	13.00	13.00	Dec, 83
Venezuela	13.00	14.00	13.00	13.00	11.00	11.00	11.00	11.00	May 18, 83

Day-to-day money rates

monthly averages

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	18.90	12.37	8.95	8.63	8.98	9.37	9.56	9.45	9.48	9.34	9.36
Canada	15.61	14.53	10.63	9.23	9.45	9.31	9.35	9.25	9.35	9.43	8.78
Austria	11.50	7.50	6.00	4.38	4.50	5.00	5.00	5.50	5.63	5.63	5.75
Belgium	9.68	12.78	9.43	7.45	7.68	7.49	7.61	6.38	6.89	8.58	8.65
Finland	12.50	11.30	11.50	15.00	15.00	15.00	15.00	16.67	16.95	16.70	16.70
France	10.87	15.46	12.88	12.46	12.61	12.40	12.54	12.56	12.35	12.37	12.27
Germany	9.13	10.65	6.07	5.00	5.05	5.04	5.07	5.43	5.53	5.59	5.60
Ireland	13.31	16.88	14.54	14.38	13.62	13.75	12.50	12.63	11.00	12.25	12.19
Italy	17.50	20.63	19.00	18.00	17.80	17.75	17.88	17.69	17.75	17.79	17.88
Netherlands	8.37	10.67	5.31	5.22	5.06	5.29	5.77	5.68	5.82	5.70	5.84
Norway	11.00	18.60	11.00	12.75	12.00	12.00	12.70	12.30	13.50	13.00	13.00
Spain	16.74	18.73	20.30	21.01	20.10	21.05	23.33	19.85	20.27	18.56	16.41
Sweden	11.41	13.82	8.63	11.00	11.05	11.00	10.15	11.30	12.00	11.97	11.48
Switzerland	5.75	3.38	1.25	3.88	3.00	3.00	2.00	2.00	1.75	1.63	1.88
United Kingdom	13.00	9.13	6.70	6.00	6.63	6.60	6.31	7.30	7.81	7.06	7.77
Australia	9.51	12 84	11.04	11.16	10.87	9.84	10.13	9.80	9.03	9.31	4.56
Japan	9.49	6.70	6 92	6.08	6.20	6.39	6.46	6.53	6.43	5.99	6.47
South Africa	5.60	12.34	12.90	9.73	10.91	12.29	13.62	13.43	13.66	14.24	15.63
Argentina	70 84	84.93	155.32	162.81	170.43	210.04	106.40	178.30	178.30	178.30	178.30
Hong Kong	14.05	10.75	9.13	11.31	12.38	7.00	6.81	13.25	18.00	10.00	13.90
Korea	14.82	14.40	13.84	13.40	13.40	12.70	12.70	12.80	12.80	12.90	11.40
Philippines	15.70	14.70	16.12	13.55	13.05	13.59	15.56	16.54	24.23	18.96	n.a.
Singapore	10.23	3.96	11.45	6.63	5.96	8.08	6.33	6.51	7.02	7.23	7.05

Treasury bill rates

bond equivalent yields, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	14.87	11.90	8.15	8.75	9.02	9.50	9.52	9.05	8.92	9.05	9.28
Canada	17.01	14.41	9.80	9.25	9.17	9.24	9.32	9.24	9.24	9.38	9.71
Belgium	12.75	16.00	12.25	10.00	9.50	9.25	9.25	9.25	9.50	10.85	10.85
Ireland	12.84	17.35	14.70	14.01	12.95	13.09	13.01	12.12	11.96	11.66	11.63
Italy	16.87	21.36	19.11	17.65	17.35	17.35	17.24	17.18	17.08	17.05	16.95
Netherlands	8.00	9.75	5.63	5.63	4.63	5.38	6.00	5.88	5.63	5.63	5.63
Spain	17.20	15.83	16.96	21.67	21.52	22.53	22.93	22.24	20.74	19.08	17.61
Sweden	12 87	9.20	8.18	7.13	7.12	7.12	7.13	7.13	7.13	7.13	7.13
United Kingdom	13.45	15.31	9.90	9.68	9.29	9.40	9.57	9.21	8.89	9.08	9.08
Australia	12.17	13.27	9.39	11.83	11.93	10.59	10.96	10.34	9.38	9.32	8.54
Japan	5.93	5.42	5.42	5.42	5.42	5.42	5.42	5.42	4.91	4.91	4.91
New Zealand	11.25	11.25	11.25	12.00	12.00	7.80	7.80	7.80	7.80	7.80	7.80
South Africa	6.31	14.55	14.62	11.81	13.96	14.46	16.19	14.91	15.66	17.47	18.43
Korea	16.35	16.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Mexico	27.73	33.33	57.44	63.04	62.36	61.10	57.89	56.17	55.60	54.15	n.a.
Philippines	12.74	13.40	14.53	14.49	14.00	14.03	14.48	14.71	15.04	15.56	n.a.
Singapore	6.77	3.03	2.74	2.51	2.61	2.59	2.58	2.65	2.63	2.62	2.59

Representative money market rates

bond-equivalent yields on major short-term (mostly 3-4 month) money market instruments other than Treasury bills, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	17.62	12.78	8.81	8.63	9.34	9.57	9.52	9.36	9.26	9.31	9.75
Canada	17.50	15.25	9.95	9.50	9.45	9.40	9.50	9.40	9.40	9.60	9.87
Belgium	13.10	16.00	12.35	10.00	9.50	9.25	9.25	9.25	9.60	11.00	11.00
France	11.56	15.25	12.75	12.44	12.50	12.13	12.25	12.50	12.19	12.31	12.19
Germany	10.20	10.50	6.20	5.25	5.55	5.50	5.85	5.80	6.15	6.25	6.30
Ireland	13.63	18.50	15.75	14.75	13.63	13.88	13.38	12.69	12.53	12.38	12.19
Italy	17.37	21.00	19.00	17.75	17.50	17.50	17.60	17.50	17.63	17.88	17.88
Netherlands	9.37	11.00	5.25	6.13	5.38	5.69	5.31	6.25	6.13	6.31	6.00
Portugal	11.00	13 80	15.04	17.00	17.00	17.00	20.24	22.30	23.00	24.17	24.11
Spain	17.40	15.52	16.55	21.57	20.76	22.48	24.04	22.06	22 19	20.29	18.48
Switzerland	7.50	10.12	3.88	4.75	4.81	5.00	4.75	4.25	4 25	4.25	3.88
United Kingdom	14.75	15.69	10.50	10.25	9.75	10.06	9.75	9.56	9.31	9.25	9.31
Australia	13.00	16.00	10.65	13.00	13.85	12.10	12.20	11.15	11.00	10.60	9.50
Japan	9 80	6 30	6 80	6.36	6.47	6.59	6.61	6.62	6.30	6.42	6.42
New Zealand	14 25	16 05	16.75	16.00	16.75	12.75	10.25	10.00	10.75	12.00	12.10
South Africa	7.12	15.47	15.26	12.21	14.88	14.94	16.61	16.45	16.94	18.19	19.12
Chile	26.79	34.54	71.44	31.37	25.34	25.34	23.87	25 34	25.34	25.34	22.42
Hong Kong	17.69	14.18	10.13	11.50	12.88	9.88	8.94	12.75	16.88	11.50	12.84
Indonesia	12 54	14.48	18.50	16.00	16.50	14.50	15.00	16.50	15.00	15.00	19.50
Korea	16.35	15.69	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Malaysia	9.41	9.50	8.50	7.80	7.60	7.85	8.40	8.10	8.20	8.65	9.80
Philippines	15.01	17.61	15.91	15.57	15.06	15.96	15.62	16.49	18.26	17.34	n.a.
Singapore	14.12	7.81	8.69	7.56	7.81	7.88	7.38	7.38	7.50	7.63	8.44
Taiwan	14 49	10.94	9.94	7.90	8.69	8.98	9.28	8.38	7.82	7.26	7.65
Thailand	16.55	14.29	12.25	11.50	11.50	12.00	12.75	14.00	14.25	14.50	16.00

Commercial bank deposit rates

at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	16 25	12.62	8.25	8.88	9.18	9.65	9.65	9.20	9.30	9.30	9.70
Canada	17.00	15.20	9.85	9.40	9.35	9.35	9.45	9.35	9.35	9.50	9.82
Austria	11.25	9.63	6.25	4.69	5.00	5.31	5.56	6.06	6.31	6.38	6.50
Belgium	12.63	15.50	12.25	10.13	9.25	9.13	9.25	9.50	9.38	11.25	11.25
Denmark	10.00	10.00	9.00	6.50	6.50	6.50	6.50	6.50	6.00	6.00	6.00
Finland	5.00	5.00	4.25	4.25	4.25	5.25	5.25	5.25	5.25	5.25	5.25
France	11.25	9.16	8.24	8.24	8.24	8.24	7.30	7.80	7.70	7.70	7.66
Germany	8.00	9.50	6.00	4.85	4.90	4.90	4.90	5.63	5.60	5.80	5.90
Ireland	13.63	18.38	15.25	14.50	13.25	13.50	13.13	12.25	12.50	12.25	11.75
Italy	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25	13.25
Netherlands	9.50	11.00	5.38	6.25	5.50	5.63	5.25	6.13	6.06	6.19	6.13
Norway	11.00	12.75	13.50	12.50	12.50	12.50	12.50	12.50	12.50	12.50	12.75
Portugal	12.00	14.00	15.00	19.50	19.50	19.50	21.50	21.50	21.50	21.50	21.50
Spain	4.50	11.78	12 53	12.36	12.47	12.28	12.28	12.24	12.08	12.50	n.a.
Sweden	9.75	10.25	9.50	8.00	8.00	8.00	8.00	8.00	8.00	8.00	8.00
Switzerland	7.50	8.75	3.00	3.75	4.25	4.00	3.75	3.75	3.50	3.50	3.50
United Kingdom	14.87	15.69	10.31	10.28	n.a.	10.06	9.78	9.50	9.25	9.22	9.31
Australia	12.71	15.65	10.20	12.68	14.84	12.05	11.88	10.56	10.96	10.35	10.40
Japan	9.00	6.50	7.00	6.60	6.67	6.80	6.83	6.88	6.45	6.60	6.50
New Zealand	13.50	15.50	16.50	14.75	16.50	10.00	9.00	9.00	9.50	10.75	11.50
South Africa	7.87	14.75	15.25	12.35	14.75	14.95	16.62	17.00	17.00	18.43	20.13
Argentina	72.00	86.76	103.42	121.66	108.28	127.75	139.92	176.41	176.41	176.41	176.41
Chile	39.45	36 87	57.72	30.60	24.60	24.31	24.75	25.19	25.19	25.19	22.28
Hong Kong	13.00	12.50	7.50	11.00	10.50	8.50	8.50	12.00	10.00	9.00	9.00
Korea	14.82	14.40	7.60	7.60	7.60	7.60	7.60	7.60	7.60	7.60	7.60
Malaysia	8.60	10.00	8.40	7.40	6.80	6.80	6.80	7.15	7.15	7.60	7.75
Mexico	26.15	31.82	52.54	60.35	60.03	59.25	57.33	56.38	55.28	54.88	54.70
Philippines	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00	14.00
Singapore	13.19	7.50	8.25	7.07	7.01	7.44	6.88	6.81	7.07	7.19	7.44
Taiwan	10.25	10.75	7.50	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Thailand	9.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Venezuela	16.00	14.75	15.50	15.00	14.00	13.50	13.00	12.50	12.00	12.00	12.00

Domestic government bond yields

long-term issues, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	11.46	14.33	10.61	10.91	11.20	11.95	11.77	11.65	11.85	11.89	12.00
Canada	12.69	15.27	11.69	11.30	11.56	12.03	12.34	11.76	11.73	11.80	12.02
Austria	9.62	10.37	8.81	8.07	8.14	8.18	8.31	8.32	8.16	8.06	n.a.
Belgium	13.04	13.99	12 66	11.63	11.53	11.42	11.46	11.39	11.32	11.75	11.89
Denmark	19.98	20.91	20.14	14.17	15.38	15.56	14.92	14.19	13.95	14.22	12.96
Finland	10.42	10.98	10.64	10.69	10.55	10.58	11.20	10.97	11.19	11.16	n.a.
France	14.31	16.44	15.40	14.55	14.52	14.04	13.96	14.03	14.15	14.12	13.96
Germany	9.19	9.71	7.90	8.09	8.11	8.27	8.55	8.43	8.30	8.34	8.38
Ireland	15.63	18.28	14.54	13.51	13.61	13.81	13.60	13.72	13.82	13.72	14.25
Italy	16.23	21.39	19.70	18.13	18.39	18.42	18.11	17.79	17.64	17.78	17.69
Netherlands	10.48	11.28	8.16	9.30	9.00	9.08	9.03	8.80	8.53	8.57	8.58
Norway	10.44	12.37	13.32	12.75	12.50	12.50	12.50	12.50	12.50	12.50	12.50
Portugal	17.19	17.39	16.63	18.17	18.45	19.30	21.57	21.97	22.05	n.a.	n.a.
Spain	16.15	16.20	15.92	17.31	17.74	17.60	18.31	18.76	19.47	19.50	n.a.
Sweden	12.61	12.80	13.01	12.14	12.17	11.85	11.24	12.20	12.24	12.44	12 44
Switzerland	4.63	5.40	4.22	4.51	4.59	4.76	4.73	4.71	4.61	4.62	4.52
United Kingdom	13.05	15.02	10.62	10.10	10.12	10.71	10.65	10.15	10.13	9.93	9.94
Australia	13.00	15.00	13.00	14.80	15.10	15.00	14.60	14.40	13.70	13.40	13.65
Japan	9.04	8.32	7.76	7.80	7.78	7.87	7.80	7.58	7.51	7.39	7.19
New Zealand	12.99	12.55	12.84	14 00	13.59	14.02	10.41	10.13	9.72	n a.	n.a.
South Africa	11.81	13.33	11.31	10.10	13.12	13.29	13.40	13.14	13.29	13.60	13.70
Philippines	13.41	13.41	13.41	13.41	13.41	13.41	13.41	13.41	13.41	13.41	13.41
Venezuela	7.39	12.50	15.00	15.75	15.75	15.00	15.00	14.00	14.00	14.00	13.50

Commercial bank lending rates to prime borrowers

at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	21.50	15 75	11 50	10.50	10.50	10.50	11.00	11.00	11.00	11.00	11.00
Canada	18.25	16.50	12.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Austria	12.50	13.50	11.75	9.75	9.25	9.25	9.25	9.25	9.25	9.25	9.25
Belgium	15.75	18.00	15.50	14.00	13.25	12.50	12.50	12.50	12.50	13.25	13.75
Denmark	13.75	15.00	14.00	11.00	10.50	10.50	10.50	10.50	10.50	10.00	10.00
Finland	9.83	9.84	8.95	9.00	9.07	10.07	10.10	10.16	10.14	10.15	n.a.
France	12 25	14.00	12.25	12.25	12.25	12.25	12.25	12.25	12.25	12.25	12.25
Germany	11.50	13.00	8.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75	7.75
Ireland	14 50	17.25	16.50	16.25	15.00	15.00	15.00	13.75	13.75	13.75	13.75
Italy	20 50	22.50	20.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75	18.75
Netherlands	10.75	12.00	6.25	6.25	6.25	6.25	6.75	7.00	6.75	6.50	7.00
Portugal	12.50	13.75	14.50	14.25	14.88	13.88	13.13	13.50	13.25	13.75	13.50
Norway	18.75	20.50	23.50	27.50	27.50	27.50	30.00	30.00	30.00	30.00	30.00
Spain	18.50	17.04	19.00	22.40	22.73	23.47	25.19	24.09	23.70	22.87	20.85
Sweden	11.75	13.50	12.50	11.00	11.00	11.00	11.00	11.00	11.00	11.00	11.00
Switzerland	5.75	8.00	6.00	5.50	5.50	6.00	6.00	6.00	6.00	6.00	6.00
United Kingdom	15.00	14.50	10.00	10.00	9.50	9.50	9.50	9.50	9.00	9.00	9.00
Australia	13.50	15.75	15.00	15.00	16.00	14.50	14.50	14.00	13.25	13.25	12.75
Japan	8 16	6.95	6.28	6.26	6.25	6.25	6.24	6.23	6.23	6.10	6.10
New Zealand	13 00	13.00	13.00	13.00	13.00	13.00	11.00	11.00	11.00	11.00	11.00
South Africa	9.50	17.00	18.00	14.00	16.00	16.00	18.00	18.00	18.00	19.00	20.00
Argentina	77.00	92.60	109.50	170.00	184.00	240.00	152.08	188.58	188.58	188.58	188.58
Chile	49.55	61.43	85 19	49.65	44.21	43.14	37.50	39.83	40.60	40.40	35.11
Hong Kong	17.00	16.00	10.50	11.50	13.50	11.50	11.50	16.00	15.00	13.50	13.50
Indonesia	21.00	19.25	22.00	22.00	22.00	22.00	19.00	19.50	19.50	19.50	19.75
Korea	19.50	16.50	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00	10.00
Malaysia	8 50	12.00	12.50	11.25	10.75	10.75	11.00	11.00	11.00	11.00	11.00
Mexico	24.25	31.81	46.12	58.40	58.63	58.73	58.23	57.78	57.14	56.82	56.44
Philippines	16.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00
Singapore	13.60	11.83	9.33	9.03	8.88	9.00	9.00	8.95	8.93	8.93	8.98
Taiwan	16.20	15.25	10.75	10 25	10.25	10.25	10.25	10.25	10.25	10.25	10.25
Thailand	16.50	17.00	16.00	16.00	16.00	16.00	15.50	15.50	15.50	15.50	16.00
Venezuela	15.00	15.50	17.00	17.00	17.00	16.50	16.25	16.00	16.00	16.00	16.00

Domestic corporate bond yields

long-term issues, at or near end of month

	1980	1981	1982	1983							
	Dec	Dec	Dec	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
United States	13 00	15 50	11.75	11.75	11.75	12.75	12.50	12.25	12.63	12.38	12.63
Canada	13.53	16.18	12.74	12.44	12.40	13.03	13.13	12.54	12.57	12.58	12.89
France	15.23	17.33	15.91	14.85	14.86	14.76	14.48	14.36	14.62	14.30	14.06
Germany	9.50	10.50	8.20	7.40	7.90	8.00	8.10	8.30	8.30	8.30	8.30
Netherlands	10.71	11.03	7.80	8.91	8.79	8.75	8.79	8.68	8.39	8.53	8.51
Norway	11.24	13.36	14.13	13.50	13.25	13.25	12.25	13.25	13.25	13.25	13.25
Spain	14.82	14.76	17.10	16.77	16.86	18.00	19.59	20.05	20.37	20.03	n.a.
Sweden	11.95	12.94	13.37	12.89	12.79	12.85	12.77	12.99	12.40	12.51	12.21
Switzerland	5.63	6.60	5.92	5.94	6.06	6.10	6.21	6.43	6.27	6.29	5 95
United Kingdom	14.21	16.65	12.34	12.12	11.89	12.34	12.27	11.89	11.84	11.51	11.57
Australia	14 25	16 50	15.00	16.00	16.00	15.75	15.50	15.00	15.00	15.00	13.50
Japan	8.60	7.70	7.55	7.16	7.30	7.34	7.32	7.30	7.29	7.27	7.09
Korea	28.20	26 90	15.90	13.90	13.90	13.90	13.90	14.20	14.10	14.20	14.20
Venezuela	16.15	17.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00	18.00

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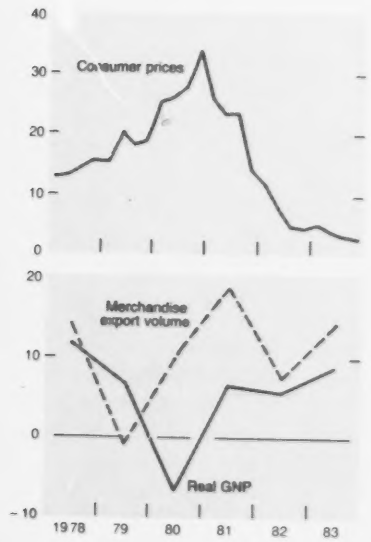
Chart 1

Inflation and growth in Korea
year-on-year percent changes



Korea: adjustment model for the 1980s?

Korea's achievements in adapting its economy to the turbulent world of the 1980s exemplify the benefits that can flow from an outward-looking, market-oriented strategy for economic adjustment and development similar to that now being urged on many other developing countries. Of course, Korea's record is not unblemished. Much remains to be done in the way of economic liberalization. Nevertheless, there is much in Korea's experience that other countries can usefully seek to emulate.

Korea entered the 1980s with an overheated economy suffering from structural imbalances. In the mid-1970s, Korean policymakers orchestrated a rapid structural transformation by directing subsidized credit to capital-intensive, heavy, and chemical industries. Overall economic growth became unsustainable, fueled by rapid domestic credit creation and heavy foreign borrowing. The economic structure grew increasingly distorted and inflation accelerated. By 1979, refusal to adjust the exchange rate to offset the adverse inflation differential accumulated over the previous two years left the won seriously overvalued. Aggravated by the second oil shock and the unfavorable turn in the global economic environment, a large current account deficit emerged and caused foreign debt to mount rapidly. Moreover, the assassination of Korea's president in October 1979 left the political outlook uncertain.

Today, thanks to timely and decisive redirection of domestic policies toward inflation control, a flexible exchange rate policy, and structural adjustments that take better advantage of the country's comparative advantage, Korea's performance and prospects have improved significantly. Inflation has practically disappeared. GNP growth is among the highest in the world. And Korea's export performance is remarkable, given sluggish world trade (see Chart 1). As a result, the country's current account deficit is much reduced and its debt burden is easing relative to its exports.

The mixed legacy of high growth

The high growth strategy pursued by Korea after 1962 transformed a stagnant, resource-poor nation into a dynamic, semi-industrialized economy in less than 20 years. Growing at a compound annual rate approaching 10% in real terms, the economy more than quadrupled its size by the late 1970s. Momentum came mostly from 30% annual real